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C O N F I D E N T I A L SECTION 01 OF 03 DOHA 000286

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STATE FOR NEA/ARP, EEB/ESC/IEC/EPC (GRIFFIN)
DOE FOR GEORGE PERSON, JAMES HART, GINA ERICKSON

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TAGS: [ENRG](#) [EINV](#) [EPET](#) [QA](#)

SUBJECT: (C) GOQ SOLICITS MASSIVE CHARITABLE CONTRIBUTIONS
FROM INTERNATIONAL OIL COMPANIES; MAY SIGNAL A TROUBLING
SHIFT IN QATAR'S ENERGY SECTOR

REF: 2007 DOHA 1069

Classified By: Charge d'Affaires Michael A. Ratney, reasons 1.4 (b) and
(d).

11. (C/NF) SUMMARY: In late March, the GOQ solicited over one billion dollars in donations from international oil companies (IOCs) operating in Qatar, and other companies doing business with Qatar Petroleum, to support the construction of a new medical center. The IOCs are shocked and angered by the request, which represents a significant departure from their normally positive and businesslike relationship with the GOQ. None of the U.S. IOCs are considering donations, as the requested amounts exceed their global budgets for such charity work, and they are aware the perception of a quid pro quo could be construed as violating the Foreign Corrupt Practices Act. Post strongly believes that Washington should note but not make any reaction to this issue. END SUMMARY.

Out of the Blue, a "Request" for Donations

12. (C/NF) In an unprecedented move, the Ministry of Energy and Industry sent letters in late March to each of the IOCs operating in Qatar requesting massive donations for the new Sidra Medical Center. (Note: Sidra Medical and Research Center is being built through the initiative of the Qatar Foundation (QF), a non-profit organization run by the Amir's wife/consort Sheikha Mozah. QF is leading Qatar's rapid development of its educational, medical, and social infrastructure. Sited at Qatar's Education City complex and scheduled to open in 2011, Sidra is intended to support world-class clinical care, medical education, and biomedical research. The Center reportedly will be funded by a USD 7.9 billion endowment from the Qatar Foundation. End Note.) The letters were signed by Deputy Prime Minister and Minister of Energy and Industry Abdullah Al-Attiyah and delivered in person to each of the IOC country managers by the Minister of State for Energy and Industry Dr. Mohammad Al-Sada, the Ministry's number two official. The letters contained specific donation amounts, apparently tied to the size of each company's operations in Qatar, and gave the companies three years to pay. Econoff and Commercial Counselor learned that the Ministry asked the IOCs for the following:

-- ExxonMobil: USD 280 million
-- Maersk: USD 280 million
-- Shell: USD 150 million
-- ConocoPhillips: USD 80 million
-- Occidental: USD 80 million
-- Total: USD 80 million

-- Q-Chem (a Chevron-Phillips joint venture): USD 80 million

13. (C/NF) Smaller service and operating companies were asked for lesser amounts, and Microsoft and GE also reportedly received request letters. We estimate that the Energy Ministry requested at least USD 1 billion in donations from the companies and possibly as much as USD 1.7 billion.

IOCs Angered, Concerned About FCPA Implications

14. (C/NF) The IOCs are shocked and unsettled by the request, and view the letters as a crude attempt at extortion. Most believe Minister Al-Attiyah would have only grudgingly made the request at the behest of Sheikha Mozah, one of the few people in the country who outranks him. Econoff and Commercial Counselor met with the heads of all five major U.S. IOCs operating in Qatar to gauge their reaction; none could conceive of ever donating even a fraction of the request to Sidra or other social causes. In most cases, the requests are larger than the entire amount spent worldwide by their companies on corporate social responsibility (CSR) programs. (Note: ExxonMobil spent about USD 11 million in Qatar last year on CSR, while ConocoPhillips spent about USD 1 million and Occidental spent about USD 250,000.)

15. (C/NF) The IOC heads also pointed out that it would appear absurd to their shareholders and other countries for them to be seen giving money to Qatar, one of the world's wealthiest states, when there are so many other truly deserving countries for CSR projects in Africa and other places the IOCs work. ConocoPhillips is particularly shocked by the request, as they have not yet made a profit on any of their

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investments in Qatar. Moreover, the company recently invested USD 25 million in projects at the Qatar Science and Technology Park (also a QF initiative), in part as a gesture of goodwill to Qatar as ConocoPhillips' commercial operations get off the ground here.

16. (C/NF) Most of the U.S. IOCs are concerned about potential implications under the Foreign Corrupt Practices Act (FCPA), and immediately sent the letters to their legal departments for review. The size of any potential contribution would also be reportable to the Securities and Exchange Commission, and invite public, shareholder, and press scrutiny. The IOCs are worried that any sort of accommodation of the request, by their company or any of the others, would lead to a slippery slope where Qatar would make further requests in the future. Moreover, any donation could have a damaging demonstration effect for others in the region or worldwide, leading to similar requests from other governments.

17. (C/NF) Most of the major IOC heads have been in discreet contact on how to respond to the letter and are hoping that none of their competitors break ranks by responding positively to the request. The U.S. executives are worried that Shell and/or Total will cave in, pointing to a reputation for acceding to such requests in other places around the world (NFI).

Other Signs of a Changing Landscape

18. (C/NF) The head of ExxonMobil in Qatar (strictly protect), told Emboffs April 8 that Minister Al-Attiyah is under pressure within the GOQ to increase the independence of Qatar Petroleum (QP) and cut its reliance on IOCs. There is an increasing desire for QP to assume full responsibility for all future gas projects, though even after 40 years of IOC help, it is nowhere near ready to do so. This manager, who has a good relationship with the Amir and other senior leaders, believes the Amir must not fully understand the

implications of the letter's request. He assessed that someone in the Qatar Foundation with no understanding of the energy business successfully advocated for the Amir and his wife's support of the request, without any explanation or understanding of the drastic effects this would have on the IOCs.

¶9. (C/NF) There are other recently emerging signs that the GOQ is changing its long-standing approach of relying on IOCs. The head of Occidental Petroleum in Qatar (strictly protect) told Emboffs April 8 that QP is forming lots of new affiliates and service companies with the intent of getting the IOCs to use them as contractors, thereby keeping more of the money from energy contracts back in Qatar. Normally, such Qatari companies would get a preference in contract bidding, but the IOCs are now also being strongly encouraged to use the companies. This businessman termed the scheme a "good national plan but bad for us because it will remove competition over the long-term."

¶10. (C/NF) The head of Anadarko in Qatar (strictly protect) told Econoff April 7 that Minister Al-Attiyah may be losing his grip on specifics of the relationships with IOCs. He charged that Sa'ad Sherida Al-Ka'abi, QP's Director of Oil and Gas Ventures, is exerting a deleterious effect on relations with companies by favoring tougher terms on existing and future deals. As an example, he explained how Anadarko had been an exploration partner with Wintershall in exploring Block 11, an area off Qatar's northern coast. Anadarko was initially unsuccessful in finding oil or gas but asked for a one-year extension with no additional requirements, and duly received a letter from the Minister assuring them their work program could continue as requested.

Al-Ka'abi later intervened, however, and told Anadarko it could only continue exploration if it gave up rights to a significant part of the formation. Discouraged by this development, Anadarko pulled out of further exploration in the block. As a second example, Anadarko recently shot 3D images of Block 4 at a cost of USD 12 million and identified a structure which could yield significant quantities of natural gas. Al-Ka'abi promptly put out a development bid for the area and ordered Anadarko to give its survey data to the other bidding competitors. Moreover, Al-Ka'abi forbade Anadarko from charging for the data or otherwise finding a mechanism to cost-recover its investment. The Anadarko manager conceded that opening the block to bidding was not a

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breach of contract, but complained that "never in my career has a government tried to take our data like this."

COMMENT: Take Note, but Let it Pass

¶11. (C/NF) As reported reftel, Qatar has for years been free of overt signs of resource nationalism and in general a welcoming place for foreign investment, particularly in the energy sector. Minister Al-Attiyah genuinely seems to recognize and value the essential contribution that IOCs have made to Qatar's development over the last generation and always speaks of long-term partnerships for the future. This donation request may herald a changing of the guard and a significant shift in the Qatari approach to exploiting its energy resources. It likely also indicates that Sheikha Mozah is beginning to exert influence outside of her traditional lane of social/educational issues, though perhaps without a full understanding of the implications of doing so.

(Note: In late March, QP signed an agreement with the Science and Technology Park to open a USD 75 million research center; it is possible this was also done under pressure from the Qatar Foundation.)

¶12. (C/NF) At the same time, the massive request of the IOCs is confusing given Qatar's enviable economic position. Qatar will soon - literally - have more money than it knows what to

do with, and certainly the fate of the Sidra initiative does not hinge on IOC monetary support. Perhaps the GOQ knows how bad it would look to change the terms of existing contracts, as has happened in Venezuela and elsewhere. Sheikha Mozah and/or other GOQ elements may have believed the "request" would be a more palatable method to keep more of Qatar's energy wealth in-country. At this point, we are not sure where this initiative originated, but it certainly looks like the GOQ badly miscalculated, and did not fully assess how unlikely it would be for most IOCs to meet such a request.

¶13. (C/NF) Post strongly believes that the USG should make no/no comment or reaction to the request, or even acknowledge knowing about the letters' existence. Our U.S. energy contacts were candid with us, in confidence, and emphasized that USG involvement would only cause them more trouble and put them in a worse position with the GOQ. Post remains in close contact with local U.S. energy company managers and will continue to actively watch for signs of the GOQ changing its approach to foreign investment and report developments septel.

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